



Public Hearing of the Senate Committee on Financial Institutions and Rural Issues

February 16, 2012

Testimony of Daryll J. Lund, President & CEO, Community Bankers of Wisconsin

Thank you, Chairman Grothman, and Committee Members. My name is Daryll Lund, President & CEO of the Community Bankers of Wisconsin. CBW represents approximately 200 Wisconsin based community banks doing business in urban, rural and suburban communities throughout Wisconsin.

CBW appreciates the opportunity to testify in support of Senate Bill 475 related to the audit requirements for state chartered savings institutions. SB 475 will provide for a more balanced and fair competitive operating environment for Wisconsin savings banks and Wisconsin savings and loan associations.

SB 475 will make changes to Wisconsin Statutes Chapters 214 ("Savings Banks") and 215 ("Savings and Loan Associations") that will provide regulatory flexibility to savings institutions regarding their annual independent audit requirement. It is estimated that requiring an annual independent audit costs each savings institution on average between \$30,000-\$50,000 per year. There are currently 14 state chartered savings banks and savings and loan associations under \$500 million operating in Wisconsin that will benefit from this legislative change.

Currently, Wisconsin law requires all state chartered savings banks and savings and loan associations, regardless of asset size, to obtain an annual financial audit from an independent certified public accountant. This requirement is found at Wis. Stat. §214.76(1) – (4) for state savings banks and Wis. Stat. §215.25 for state savings and loan associations. In contrast, other types of financial institution charters, such as those for state commercial banks, national banks, federal savings banks, industrial loan companies, and federal and state credit unions, are not required to obtain similar financial audits until they reach \$500 million or more in total assets, at which point the FDIC's regulations require annual audits for all types of insured depository institutions.

The purpose of CBW's legislative initiative is simply to allow state chartered savings banks and savings and loan associations in Wisconsin the ability to choose how best to comply with the annual audit requirement based upon the risk profile of the institution.

In addition, we have heard of at least one federal savings and loan association located in Wisconsin that would like to convert to a Wisconsin state savings bank charter due to recent changes in banking regulation under the Dodd-Frank Act that eliminated the Office of Thrift Supervision (OTS). However, when the federal savings and loan thinking of converting its charter became aware of Wisconsin's audit requirements for state savings banks, which they are not presently required to undergo as a federal institution, they determined that the additional costs associated with becoming a state chartered institution outweigh the potential benefits. It is likely that other federal savings banks and savings and loan associations operating in Wisconsin are currently going through the exact same analysis, and Wisconsin is losing out on an opportunity to secure additional state charters and the additional revenue associated with those state charters.

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To: Members of the Senate Committee on Financial Institutions and Rural Issues
From: Sen. Glenn Grothman
Re: Senate Bill 475

Currently, savings banks and savings and loan associations are required to hire an independent CPA to audit their books, records, and accounts on an annual basis. These audits are presented to the banks' Boards of Directors and eventually to DFI's Division of Banking.

Senate Bill 475 does nothing to reduce these audit requirements on savings banks and savings and loan associations, or to reduce state oversight of these audits. It simply offers the banks slightly more flexibility in meeting the annual audit requirement.

The bill gives savings banks and S&L associations the option of hiring an outside CPA (as current law requires) or conducting the audit internally by appointing an audit committee. This will give the banks more flexibility to reduce costs and provide better service to their customers, and, because Wisconsin's laws are currently stricter than federal regulations, it will also make Wisconsin a friendlier place for federally-chartered banks which might want to switch to a state charter.

At the same time, DFI loses none of their oversight or supervisory authority. The audit results will still be overseen by DFI, and DFI will still have the authority to order further audits at any time.